



J. TYLER McCAULEY
AUDITOR-CONTROLLER

**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

KENNETH HAHN HALL OF ADMINISTRATION
500 WEST TEMPLE STREET, ROOM 525
LOS ANGELES, CALIFORNIA 90012-2766
PHONE: (213) 974-8301 FAX: (213) 626-5427

April 24, 2007

TO: Supervisor Zev Yaroslavsky, Chairman
Supervisor Gloria Molina
Supervisor Yvonne B. Burke
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: J. Tyler McCauley *[Signature]*
Auditor-Controller

SUBJECT: **COMMUNITY BASED EDUCATION AND DEVELOPMENT CONTRACT -
WORKFORCE INVESTMENT ACT ADULT SPECIAL NEEDS
PROGRAM**

We have conducted a program, fiscal and administrative contract review of Community Based Education and Development (CBED or Agency), a Workforce Investment Act Program (WIA) provider.

Background

The Department of Community and Senior Services (DCSS) contracts with CBED, a private, non-profit organization to provide and operate the WIA Adult Special Needs Program. The WIA Adult Special Needs Program is a comprehensive training and employment program to assist low income individuals with substantial language and/or cultural barriers obtain employment, retain their jobs and increase their earnings. CBED's offices are located in the Third and Fifth Districts.

CBED is compensated on a cost reimbursement basis. CBED'S contract for Fiscal Year (FY) 2005-06 was for \$72,201.

"To Enrich Lives Through Effective and Caring Service"

Purpose/Methodology

The purpose of the review was to determine whether CBED has complied with its contract terms and appropriately accounted for and spent WIA funds in providing services to eligible participants. We also evaluated the adequacy of the Agency's accounting records, internal controls and compliance with federal, State and County guidelines.

Results of Review

The nine program participants interviewed stated that the services they received met their expectations. In addition, CBED's expenses were allowable, accurately billed to DCSS and supported by documentation.

CBED did not always comply with various County contract and WIA requirements. Specifically, CBED:

- Did not maintain appropriate documentation to support the participants' eligibility to receive program services for eight (80%) of the ten program participants sampled.
- Did not complete the Individual Employment Plan (IEP) for eight (80%) of the ten program participants as required by WIA guidelines.
- Did not document the justification for two sole source agreements with subcontractors as required by the guidelines.
- Did not monitor the subcontractors and the Agency's procurement policy was not in compliance with WIA guidelines.

Details of our review along with recommendations for corrective action are attached.

Review of Report

We discussed our report with CBED on December 20, 2006. In their attached response, CBED indicated that the IEPs were completed in accordance with the County contract. However, we provided the Agency with a detailed explanation indicating why their IEPs did not comply with the program requirements. CBED also indicated that the Agency's procurement policies were in compliance with regulatory guidelines and that they completed a competitive bid process prior to hiring the two subcontractors. CBED did not provide us with documentation to support the solicitations for competitive proposals.

We notified DCSS of the results of our review. We will follow-up our recommendations during next year's monitoring review. We thank CBED for their cooperation and assistance during this review.

Please call me if you have any questions or your staff may contact Don Chadwick at (626) 293-1102.

JTM:MMO:DC

Attachment

- c: David E. Janssen, Chief Administrative Officer
Cynthia Banks, Director, Department of Community and Senior Services
Alla Shustov, Executive Director, Community Based Education and Development
Public Information Office
Audit Committee

**WORKFORCE INVESTMENT ACT PROGRAM
COMMUNITY BASED EDUCATION AND DEVELOPMENT
FISCAL YEAR 2005-06**

ELIGIBILITY

Objective

Determine whether Community Based Education and Development (CBED or Agency) provided services to individuals that meet the eligibility requirements of the Workforce Investment Act (WIA).

Verification

We judgmentally sampled ten (56%) of the eighteen program participants that received services between July 2005 and May 2006. We reviewed the case files for documentation to confirm their eligibility for WIA services.

Results

CBED did not maintain appropriate documentation to support the participants' eligibility to receive program services for eight (80%) of the ten program participants as required by WIA guidelines. Subsequent to our review, CBED provided the appropriate documentation to support the participant's eligibility to receive program services.

Recommendation

1. CBED management ensure that staff obtain the appropriate documentation from the participants to determine the participants' eligibility for program services prior to enrollment.

BILLED SERVICES/CLIENT VERIFICATION

Objective

Determine whether CBED provided the services in accordance with the County contract and WIA guidelines. In addition, determine whether the program participants received the billed services.

Verification

We reviewed the documentation contained in the case files for ten (56%) program participants that received services during July 2005 through May 2006. We also interviewed nine program participants.

Results

The nine program participants interviewed stated that the services they received met their expectations. However, CBED did not complete the Individual Employment Plan (IEP) for eight (80%) of the ten program participants. Specifically, CBED did not identify the participants' employment plans, the appropriate services needed to achieve their individual employment goals, or identify the individual's personal strength and skills, or the signatures of both the participant and the case manager on the IEP as required by WIA guidelines. The IEP is an on-going plan jointly developed by the participant and the case manager that identifies the participants' employment goals, achievement objectives and the services needed to achieve their employment goals.

Recommendation

2. CBED management ensure that staff complete the IEP in accordance with the County contract.

CASH/REVENUE**Objective**

Determine whether cash receipts and revenues are properly recorded in the Agency's records and deposited timely in their bank account. Determine whether there are adequate controls over cash, petty cash and other liquid assets.

Verification

We interviewed Agency personnel and reviewed financial records. We also reviewed the bank reconciliation for April 2006.

Results

CBED maintained adequate internal controls to ensure that revenue was properly recorded and deposited in a timely manner.

Recommendation

There are no recommendations for this section.

EXPENDITURES/PROCUREMENT**Objective**

Determine whether the program related expenditures are allowable under the County contract, properly documented and accurately billed.

Verification

We interviewed Agency personnel, reviewed financial records, and reviewed documentation to support all six non-payroll expenditure transactions billed by the Agency for December 2005, and January and February 2006, totaling \$13,500.

Results

CBED's expenses were allowable, accurately billed to DCSS and supported by documentation as required.

Recommendation

There are no recommendations for this section.

INTERNAL CONTROLS/CONTRACT COMPLIANCE**Objective**

Determine whether the contractor maintained sufficient internal controls over its business operations. In addition, determine whether the Agency is in compliance with other program and administrative requirements.

Verification

We interviewed Agency personnel, reviewed their policies and procedures manuals, conducted an on-site visit, and tested transactions in various non-cash areas such as expenditures, payroll and personnel.

Results

Generally, CBED maintained sufficient internal controls over its business operations. However, CBED's procurement policy was not in compliance with WIA guidelines. CBED staff also indicated that they do not monitor their two subcontractors to ensure that the program services were provided to the participants as required. In addition, CBED did not document the justification for the sole source agreements with the two subcontractors as required by the regulatory guidelines. According to Agency management, CBED's contracts with the two subcontractors totaled \$40,500 for FY 2005-06.

Recommendations

CBED management:

- 3. Ensure that the Agency's procurement policies are in compliance with regulatory standards and distributed to personnel.**

4. Monitor the subcontractors to ensure that the subcontractors are in compliance with contract requirements.
5. Establish policies and procedures for monitoring the subcontractors.
6. Ensure that staff solicit competitive proposals and conduct price analysis for all procurement transactions in accordance with regulatory guidelines.

FIXED ASSETS AND EQUIPMENT

Objective

Determine whether CBED's fixed assets and equipment purchases made with WIA funds are used for the WIA program and are safeguarded.

We did not perform test work in this section, as CBED did not use WIA funding to purchase fixed assets or equipment.

PAYROLL AND PERSONNEL

Objective

Determine whether payroll is appropriately charged to the WIA program. In addition, determine whether personnel files are maintained as required.

Verification

We traced and agreed the payroll expenses for two employees, totaling \$2,502 to the payroll records and time reports for February 2006. We also interviewed one staff and reviewed the personnel files for two staff assigned to the WIA program.

Results

CBED appropriately charged payroll expenses to the WIA program. In addition, CBED's personnel files were properly maintained.

Recommendation

There are no recommendations for this section.

COST ALLOCATION PLAN**Objective**

Determine whether CBED's Cost Allocation Plan was prepared in compliance with the County contract and applied to program costs.

Verification

We reviewed CBED's Cost Allocation Plan and reviewed a sample of expenditures incurred by the Agency to ensure that the expenditures were properly allocated to the Agency's programs.

Results

CBED's Cost Allocation Plan was prepared in compliance with the County contract and costs were appropriately allocated.

Recommendation

There are no recommendations for this section.

PRIOR YEAR FOLLOW-UP**Objective**

Determine the status of the recommendations reported in the prior monitoring review completed by a CPA firm contracted by the County.

Verification

We verified whether the outstanding recommendations from Fiscal Year 2004-05 monitoring review were implemented. The report was issued on January 10, 2006.

Results

The prior monitoring report contained one recommendation. CBED implemented the recommendation.

Recommendation

There are no recommendations for this section.



Community Based Education & Development

5724 West 3rd Street, Third Floor, Los Angeles, CA 90036 Tel: (323) 937-7772 Fax: (323) 937-4472

February 14, 2007

To: J. Tyler McCauley, Auditor Controller
Kenneth Hahn Hall of Administration
500 West Temple Street
Room 525
Los Angeles, CA 90012-2766

Re: COMMUNITY BASED EDUCATION AND DEVELOPMENT CONTRACT
(CBED) - WORKFORCE INVESTMENT ACT ADULT SPECIAL NEEDS
PROGRAM

RESPONSE TO AUDIT RECOMMENDATIONS

1. *CBED management ensures that staff obtains appropriate documentation from the participants to determine the participants' eligibility for program services prior to enrollment.*

Response:

Most of WIA participants were AFDC recipients, while the others were receiving in-kind money from their relatives. CBED obtained copies of their welfare cards. Realizing that the welfare cards do not have the dates in addition to welfare cards CBED requested participants to complete and sign the WIA application forms that have specific questions about the amount and sources of their income. By signing those forms participants certified all amounts and sources of income received during specific time period.

2. *CBED management ensures that staff completes the IEP in accordance with the County contract.*

Response:

For three years Ms. Donna Person was the CBED's program monitor. She was the one who initially designed and approved The IEP (Individual Employment Plan) form for CBED (CBD College). CBED management deemed the existing IEP plan as being in accordance to the County contract.

3. *Ensure that the Agency's procurement policies are in compliance with regulatory*

standards and distributed to personnel.

Response:

Agency's procurement policies were and are in compliance with regulatory standards.

Procurement by small purchase procedures

"Small purchase procedures are relatively simple and informal procurement methods for securing services, supplies, or other property that do not cost more than the simplified acquisition threshold defined by 41 U.S.C. 403(11) (currently set at \$1,000.00). If small purchase procedures are used, price or rate quotations shall be obtained from an appropriate number of qualified sources."

Auditor-Controller might have received a copy with typographical error indicating wrong amount.

4. *Monitor the subcontractors to ensure that the subcontractors are in compliance with contract requirements*

Response:

CBED is implementing appropriate measures to ensure that monitoring subcontractors is in compliance with contract requirements.

5. *Establish policies and procedures for monitoring the subcontractors.*

Response:

Both Computer Instructor and Lab Tech./Network Specialist were hired long before CBED received its first WIA contract. Since both had multiple contracts elsewhere, they elected to work for CBED on the basis of Independent Contractorship.

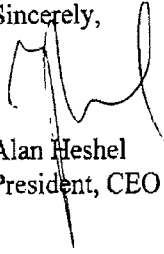
Nevertheless, both independent contractors had to adhere to Job Descriptions and undergo Performance Evaluations in the same manner as everyone else at CBD College. Performance Evaluations were conducted initially at the end of the probation period and annually thereafter.

CBED is establishing policies and procedures for monitoring the subcontractors in the future

6. *Ensure that staff solicit for competitive proposals and conduct price analysis for all procurement transactions in accordance with regulatory guidelines*

CBED is soliciting for competitive proposals and conducts price analysis for all procurement transactions in accordance with existing procurement policies meeting regulatory guidelines.

Sincerely,

A handwritten signature in black ink, appearing to read 'Alan Heshel', with a long, sweeping horizontal stroke extending to the right.

Alan Heshel
President, CEO

AH:is